TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Update on State Legislation	ITEM NUMBER:
	ATTACHMENT(S): 1
ACTION:	MEETING DATE: October 11, 2001
INFORMATION: X	PRESENTER: Ed Derman

SUMMARY OF STATE LEGISLATION

Attached is a summary of CalSTRS-related legislation. Mr. Derman will provide a verbal update at the meeting.

LEGISLATIVE SUMMARY – REGULAR BOARD

2001-2002 Regular Session – September 21, 2001

BILL NO. >>> INFORMATION<

AB 135 AUTHOR: Assembly Member Havice

TITLE: Purchasing power protection

AMENDED: 5/31/01 LOCATION: To Governor BOARD POSITION: Support *

SUMMARY: Increases the payments made from the Supplemental Benefit Maintenance Account to restore purchasing power of initial allowances to 80 percent of the member's initial monthly allowance, rather than the current 75 percent.

COSTS: Benefit program – Total annual costs: 2002-2003, \$69.4 million;

2003-2004, \$76.2 million; 2004-2005, \$82.4 million.

Administrative – Minor and absorbable

P – ACSA, ART, CFT, CRTA, CTA, FACCC, LA Community College Faculty Guild, UTLA

O – None known

AB 607 AUTHOR: Assembly Member Negrete McLeod

TITLE: Career factor

LOCATION: Assembly Appropriations (Held in committee)

BOARD POSITION: Support, if amended*

SUMMARY: Eliminates the current 2.4 percent limit on the combined age factor and career factor for members who retire on or after January 1, 2002.

COSTS: Benefit program – Amortized cost of \$2,180 million over 30 years

Administrative – Minor and absorbable

P – FACCC

LEGISLATIVE SUMMARY – REGULAR BOARD

2001-2002 Regular Session – September 21, 2001

BILL NO. >>> INFORMATION <<<<<<<<<

AB 649 AUTHOR: Assembly Member Negrete McLeod

TITLE: Retirement benefits for part-time community college employees

AMENDED: 9/14/01

LOCATION: Provisions deleted and replaced with provisions to ratify

memorandum of understanding between state and state employees.

To Governor

SUMMARY: In previous version, requires community college districts to offer Social Security coverage and an alternative retirement plan to their part-time employees and allows part-time classified community college employees to participate in Cash Balance Benefit Program, if offered by employer.

P-FACCC

O – ACCCA, Kern County Superintendent of Schools

AB 804 AUTHOR: Assembly Member Strom-Martin

TITLE: Notification of CBEST requirements

AMENDED: 9/14/01 LOCATION: To Governor

SUMMARY: Requires CalSTRS to provide both active and retired members with information concerning requirements for passing the California Basic Educational Skills Test if an individual wants to return to the classroom after being absent for 39 months.

COSTS: Benefit program – None

Administrative – Potentially minor costs to modify CalSTRS publications and Annual Statements.

P - CDE

LEGISLATIVE SUMMARY – REGULAR BOARD

2001-2002 Regular Session – September 21, 2001

BILL NO.>>> INFORMATION <<<<<<<<<

AB 906 AUTHOR: Assembly Member Salinas

TITLE: Reduction of state employee retirement contribution rates

AMENDED: 9/14/01 LOCATION: To Governor

SUMMARY: Reduces through June 30, 2003 employee retirement contribution rates for specified state employees who are members of CalSTRS' Defined Benefit (DB) Program or of CalPERS.

COSTS: Benefit program – Reduces total contributions to the DB Program

by \$12,539 for the period from August 1, 2001 to June 20, 2003 for three affected state employees who are DB Program members.

Administrative – Undetermined, likely nominal costs associated with adjusting reporting procedures, manually receiving employee and employer contributions, and inputting corrected data into

CalSTRS' automated systems.

P - DPA

O – None known

AJR 3 AUTHOR: Assembly Member Leonard

TITLE: Repeal reduction in Social Security benefits

LOCATION: Resolution Chapter 66

SUMMARY: Requests that Congress repeal the Government Pension Offset and the Windfall Elimination Provision on Social Security benefits.

COSTS: Benefit program – None

Administrative - None

P - CRTA

LEGISLATIVE SUMMARY – REGULAR BOARD

2001-2002 Regular Session – September 21, 2001

BILL NO. >>> INFORMATION <<<<<<<<

AJR 6 AUTHOR: Assembly Member Canciamilla

TITLE: Federal retirement security and savings programs

LOCATION: Senate PE&R BOARD POSITION: Support*

SUMMARY: Requests that Congress enact new legislation that would embody provisions of the Retirement Security and Savings Act of 2000, which was considered by Congress in 2000. These changes to federal pension law were accomplished with the passage of H.R. 1836 in June of this year.

COSTS: Benefit program – None

Administrative – None

P - SACRS

O – None known

SB 165 AUTHOR: Senator O'Connell

TITLE: CalPERS membership election

LOCATION: Chapter 77 BOARD POSITION: Support*

SUMMARY: Permits a vested member of CalPERS not employed in an education-related position who accepts employment to perform creditable service covered by the DB Program, to elect to be excluded from CalSTRS and retain membership in CalPERS.

COSTS: Benefit program – None

Administrative - Minor and absorbable

P – ACSA, CTA, SSDA

LEGISLATIVE SUMMARY – REGULAR BOARD

2001-2002 Regular Session – September 21, 2001

BILL NO. >>> INFORMATION <<<<<<<<<

SB 191 AUTHOR: Senator Karnette

TITLE: Defined Benefit Supplement (DBS) enhancement and health

benefit account

AMENDED: 3/13/01

LOCATION: Senate Appropriations (Held in committee)

BOARD POSITION: Support, if amended*

SUMMARY: Requires CalSTRS to make annual contributions to members' DBS accounts until 7/1/11 based on their years of credited service. Requires CalSTRS to pay the Medicare Part B premiums of active and retired DB Program members who are at least 55 years of age on 1/1/02. Requires CalSTRS to establish nominal accounts and credit each account with \$600 per year to pay healthcare insurance premiums for DB Program members who retired before 1/1/01.

COSTS: Benefit program – Total amortized cost of \$6,556 million over 30

years

Administrative – Implementation costs likely to exceed \$1 million

P – SSDA, UTLA

O – None known

SB 334 AUTHOR: Senator Ortiz

TITLE: Retirement following reinstatement

AMENDED: 9/5/01

LOCATION: To Governor BOARD POSITION: Support*

SUMMARY: Increases benefits for members who retired for service, reinstate and perform creditable service for two years following reinstatement from a prior retirement.

COSTS: Benefit program – Amortized cost of \$45 million over 15 years

Administrative – Minor and absorbable

P – ACSA, CFT, CRTA, CTA, F.A.I.R.

LEGISLATIVE SUMMARY – REGULAR BOARD

2001-2002 Regular Session – September 21, 2001

BILL NO. >>> INFORMATION <<<<<<<<<

SB 461 AUTHOR: Senator Torlakson

TITLE: Catastrophic Prescription Drug Insurance Program

LOCATION: Senate Appropriations (Held in committee)

BOARD POSITION: Support, if amended*

SUMMARY: Provides high deductible coverage for prescription drugs to retired members of the DB Program with unspecified minimum levels of credited service.

COSTS: Benefit program – Present value cost of \$425 million to \$650

million over 10 years, depending on plan features

Administrative – At least \$1 million in implementation costs

P – ACSA, CFT, CTA

O - None known

SB 499 AUTHOR: Senator Soto

TITLE: CalSTRS program adjustments

AMENDED: 9/5/01

LOCATION: To Governor BOARD POSITION: Sponsor*

SUMMARY: Increases loan limits in the Home Loan Program, eliminates the 1/1/02 sunset for eligibility of dependent children for family allowance under Coverage A and authorizes purchase of CB Benefit Program participation as DB Program service credit. Appropriates \$1 million to pay the administrative costs of implementing benefit changes that become effective after 2001.

COSTS: Benefit program – Annual net increase for continuing Coverage A

eligibility of \$464,000 in first year and \$531,000 per year

thereafter

Administrative – Minor and absorbable costs to increase Home Loan Program loan limit and to authorize conversion of CB Program participation to DB Program service credit. One-time appropriation of \$1 million.

P - CalSTRS

LEGISLATIVE SUMMARY – REGULAR BOARD

2001-2002 Regular Session – September 21, 2001

BILL NO. >>> INFORMATION <<<<<<<<<

SB 501 AUTHOR: Senate PE&R Committee

TITLE: CalSTRS Housekeeping bill

AMENDED: 8/27/01 LOCATION: To Governor BOARD POSITION: Sponsor*

SUMMARY: Makes a variety of technical and conforming changes to the Teachers' Retirement Law to improve system administration.

COSTS: Benefit program – None

Administrative - None

P - CalSTRS

O – None known

SB 1020 AUTHOR: Senator Escutia

TITLE: Middle school extended year

AMENDED: 6/4/01

LOCATION: Assembly Education BOARD POSITION: No Position*

SUMMARY: Offers state fiscal incentives to school districts with schools that increase the school year in grades seven and eight and either grade six or nine by 20 days, or other specified days and hours for year round schools.

COSTS: Benefit program – Amortized cost of \$1 billion over 30 years from

increased final compensation

Administrative – Minor and absorbable

P – California League of Middle Schools, California Manufacturers and Technology Association, Long Beach Unified School District

O - CTA, UTLA

LEGISLATIVE SUMMARY – REGULAR BOARD

2001-2002 Regular Session – September **21**, **2001**

BILL NO. >>> INFORMATION <<<<<<<<<

SCA 2 AUTHOR: Senator Burton

TITLE: Legislative oversight over public pension support budgets

LOCATION: Senate PE&R

SUMMARY: Requires that expenditures for personnel, operating expenses and equipment for CalSTRS and CalPERS be approved in the annual Budget Act beginning in 2003-04, and authorizes the Governor and Legislature to request an independent actuarial review of CalSTRS and CalPERS.

COSTS: Benefit program – None

Administrative – Minor and absorbable

P – None known

O – None known

SJR 4 AUTHOR: Senator Soto

TITLE: Eliminate reduction in Social Security benefits

LOCATION: Resolution Chapter 94 BOARD POSITION: No Position

SUMMARY: Requests that Congress eliminate the application of the Government Pension Offset and the Windfall Elimination Provision on Social Security benefits.

COSTS: Benefit program – None

Administrative - None

P – ACSA, CCPOA, CFT, CSAC, CSEA, League of California Cities, LA County Probation Officers Union, LA Police Protective League, LADSA, Riverside Sheriffs' Association, San Bernardino County Sheriffs

LEGISLATIVE SUMMARY – REGULAR BOARD

2001-2002 Regular Session – September 21, 2001

BILL NO. >>> INFORMATION <<<<<<<<

SJR 9 AUTHOR: Senator Costa

TITLE: Foreign investments LOCATION: Senate B, C & IT

BOARD POSITION: Support, if amended*

SUMMARY: Requests that the President and Congress identify and place on a federal list, investments in foreign countries and businesses that pose a threat to the national security interests of the U.S. and to encourage appropriate federal measures to deny these entities access to capital from the U.S.

COSTS: Benefit program – None

Administrative – No direct fiscal impact

P - CalPERS

LEGEND OF ABBREVIATIONS P = PROPONENTS O = OPPONENTS

ABBREVIATION ORGANIZATION

AARP American Association of Retired Persons, State Legislative Committee

AALA Associated Administrators of Los Angeles

ACCCA Association of California Community College Administrators

ACSA Association of California School Administrators

AFSCME American Federation of State, County and Municipal Employees

AFT American Federation of Teachers
AGENCY State and Consumer Services Agency
A.R.E. Association of Retirees for Equity
ART Association of Retired Teachers

BOE Board of Equalization

BOG Board of Governors, California Community Colleges

Cal-Tax California Taxpayers Association

CalPERS California Public Employees' Retirement System
CalPIRG California Public Interest Research Group
CalSTRS California State Teachers' Retirement System
CASBO California Association of School Business Officials

CCA Community College Association

CCAE California Council for Adult Education

CCC California Community Colleges CCD Community College District

CCPOA California Correctional Peace Officers Association

CDE California Department of Education
CFA California Faculty Association
CFT California Federation of Teachers

CNEC California Network of Educational Charters

CPCA California Police Chiefs' Association

CPFFA California Professional Firefighters Association

CRTA California Retired Teachers Association
CSAC California State Association of Counties
CSBA California School Boards Association
CSEA California School Employees Association

CSL California Senior Legislature
CSU California State University
CTA California Teachers Association

DOE Department of Education
DOF Department of Finance

DGS Department of General Services

DPA Department of Personnel Administration

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION ORGANIZATION

FACCC	Faculty.	Association	of California	Community	Colleges

F.A.I.R. Faculty Attempting to Improve Retirement FCPHE Faculty Coalition for Public Higher Education

FTB Franchise Tax Board

LACCD Los Angeles Community College District
LADSA Los Angeles Deputy Sheriffs' Association
LAUSD Los Angeles Unified School District

OCDE Orange County Department of Education
PARS Public Agency Retirement System

PERF Public Employees Retirement Fund

PORAC Peace Officers Research Association of California

RPEA Retired Public Employees Association

SACRS State Association of County Retirement Systems
SBMA Supplemental Benefit Maintenance Account

SCSA State and Consumer Services Agency
SDCOE San Diego County Office of Education
SEIU Service Employees International Union

SLC State Lands Commission
SSC School Services of California
SSDA Small School Districts' Association

START State Teachers' Automation Redesign Team

TRB Teachers' Retirement Board
TRF Teachers' Retirement Fund
TRL Teachers' Retirement Law
UTLA United Teachers of Los Angeles

STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS Assembly Public Employees, Retirement and Social Security Committee

Senate PE&R Senate Public Employment and Retirement Committee